COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF SALT RIVER RURAL ELECTRIC COOPERATIVE CORPORATION	)))	CASE NO. 8778

ORDER

On April 15, 1983, Salt River Rural Electric Cooperative Corporation ("Salt River") filed an application with this Commission requesting to increase its annual revenue by $759,717, or 3.9 percent. Salt River stated that the proposed rate adjustment was in part due to increases in interest charges as well as increases in the cost of labor and materials. Based on the determination herein, Salt River has been granted an increase in revenue of $759,717 annually, the full amount of the requested increase.

In order to determine the reasonableness of the proposed request the Commission by its Order of April 22, 1983, suspended the proposed rates and charges for 5 months after May 5, 1983. A public hearing on the matter was scheduled for August 24, 1983, and Salt River was directed to give notice to its consumers of the proposed rates and the hearing. The Consumer Protection Division in the Office of the Attorney General and Owens-Illinois Corporation ("O-I") moved to intervene in this proceeding pursuant to KRS 367.150(8), which motions were granted. No other parties formally intervened. The hearing was held on August 24, 1983, and all requested information has been filed.

COMMENTARY

Salt River is a consumer-owned rural electric cooperative engaged in the distribution and sale of electric energy to approximately 18,766 member-consumers in the Kentucky counties of Nelson, Bullitt, Spencer, Washington, Marion, Mercer, Jefferson, Anderson, Shelby and Larue. Salt River obtains all of its power from East Kentucky Power Cooperative, Inc. ("EKP").

TEST PERIOD

Salt River proposed and the Commission has accepted the 12-month period ending December 31, 1982, as the test period for determining the reasonableness of the proposed rates. In utilizing the historic test period, the Commission has given full consideration to appropriate known and measurable changes.

VALUATION

Net Investment

Salt River proposed a net investment rate base of $15,318,797. The Commission concurs with this proposal with the following exceptions:

The Commission has adjusted accumulated depreciation to reflect the pro forma adjustment to depreciation expense found reasonable herein. Also, the provision for working capital has been increased to reflect the pro forma adjustments to operation and maintenance expenses allowed herein for rate-making purposes.

Based on the Commission's adjustments, Salt River's net investment rate base for rate-making purposes is as follows:

Net Investment

Utility Plant in Service	$16,041,768
Construction Work in Progress	1,493,654
Total Utility Plant	$17,535,422
Add:	
Materials and Supplies	$ 224,602
Prepayments	19,937
Working Capital	327,345
Subtotal	$ 571,884
Deduct:	
Accumulated Depreciation	$ 2,737,925
Customer Advances for Construction	103,281
Subtotal	$ 2,841,206
Net Investment	$15,266,100

Capital Structure

The Commission finds from the evidence of record that Salt River's capital structure at the end of the test year was $15,403,844 and consisted of $5,094,464 in equity and $10,309,380 in long term debt. In the determination of this capital structure, the Commission has excluded accumulated generation and transmission capital credit assignments in the amount of $1,022,880.

REVENUES AND EXPENSES

Salt River proposed several adjustments to revenues and expenses to reflect more current and anticipated operating conditions. The Commission finds the proposed adjustments are generally proper and acceptable for rate-making purposes with the following modifications:

Revenue and Power Cost Normalization

The Commission has increased operating revenues by $1,111,365 in order to transfer to the base rates the amount of fuel revenue necessary to reestablish the fuel adjustment charge approved by the Commission in Case No. 8612, Examination by the Public Service Commission of the Fuel Adjustment Clause of Salt River. In addition, the Commission has increased the cost of purchased power by $1,126,968 in order to transfer to the base rates the amount of fuel cost needed to reestablish the fuel adjustment charge approved in Case No. 8612.

Fuel Clause

The Commission adjusted Salt River's base rates in Case No. 8612 to roll in the fuel cost of its wholesale power supplier. Salt River's fuel adjustment clause contains a provision which allows total recovery or refund of fuel adjustment charges or credits. Therefore, the Commission has decreased revenue by $721,842 and decreased purchased power expense by $780,512 to exclude the fuel revenue and cost actually incurred during the test year in the determination of revenue requirements.

Wages and Salaries

For the test period, Salt River's total wages and salaries were $1,991,916. Salt River proposed to normalize wages and salaries to reflect increases of 8.3 percent for union employees and 8.8 percent for non-union employees granted during the test year resulting in an increase of $62,489. The Commission is of the opinion that increases of this magnitude are unreasonably high under present economic conditions and that Salt River's customers should not be required to bear the full amount of these increases.

Current trends indicate a continued decrease in the rate of inflation with no measurable decline in the high unemployment rate. These trends have caused recent wage settlements in many of the nation's non-regulated industries to reflect greater concern for job security than for wage increases. Given present economic conditions in general, it is imperative that utility employees not be overly compensated compared to their counterparts in competitive industries. It is the Commission's responsibility, as a surrogate for competition, to insure that the utilities under its jurisdiction are not insulated from the effects of today's economy.

The Consumer Price Index ("CPI") is a primary measure of inflation and since December 1982 its annual percentage increase has been 5 percent or less. The CPI is frequently used by industry in setting wage increases and the Commission finds it to be useful in analyzing wage and salary adjustments. At the time the 8.8 and 8.3 percent wage increases became effective for Salt River's non-union and union employees the CPI reflected a yearly increase of approximately 5 percent. The Commission is of the opinion that this is the maximum increase that should be passed on to Salt River's consumers for the test period wage and salary increases. When other utilities are laying off employees and reducing and/or freezing wages, the Commission finds it unreasonable for Salt River to ignore today's economic realities and expect its consumers to bear such large wage increases. The Commission realizes that Salt River's increase to its union employees was set by contract; however, when the need arises contracts should be renegotiated. The record in this case does not show that Salt River has attempted to implement this action.

Salt River also filed additional information for the Commission's consideration relating to a 3.8 percent increase granted union employees on June 1, 1983. Although the effective date of this increase is 5 months beyond the end of the test year, the Commission is of the opinion that an increase of this magnitude is not unreasonable and has applied this percentage to the normalized union salaries which reflect the 5 percent increase allowed for the test year.

Based on all these considerations, the Commission has reduced Salt River's proposed adjustment by $34,523. The Commission places Salt River on notice that if future wage increases are granted which the Commission determines to be excessive, the Commission will take appropriate action to insure that the customers of Salt River will not bear that portion of the wage increase found to be excessive.

In addition to the salaries expense incurred by Salt River the Commission is concerned with the level of overtime hours worked by Salt River's employees and its impact on the electric rates of Salt River's customers.

The Commission in the course of its examination in this proceeding noted that Salt River had been ranked high in the percentage of overtime hours worked to total hours on the REA Borrower Statistical Profile and requested a breakdown of the overtime hours worked in its second information request. Salt River's response indicated that the majority of the overtime hours worked were attributable to stand-by time for two crews which, under the terms of the union contract, are required to be paid at overtime rates. Under Article IX, Section 4, of the union contract any employee required to stay at home for stand-by duty will receive 6 hours of pay per day at one and one half times his regular rate of pay. In addition, should such employee be called into the field he is to be also paid for his hours worked, with a minimum payment of 2 hours work.

The record in this case reflects that Salt River has done very little to find alternatives to this method of providing for system maintenance during off hours. Prudent management in a competitive environment would at all times be seeking less costly alternatives and the Commission expects the management of Salt River to do the same. Given present economic conditions in general, it is imperative that utility employees not be overly compensated compared to their counterparts in competitive industries. The Commission realizes that the stand-by provision was set by contract; however, as stated earlier, when the need arises contracts can and should be renegotiated.

The Commission urges Salt River to do everything within its power to hold down its expenses. Moreover, the Commission places Salt River on notice that if in the future Salt River's employees are paid for overtime hours which the Commission determines to be excessive, the Commission will take appropriate action to insure that the customers of Salt River will not bear that portion of overtime wages found to be excessive.

Director Fees Expense

The directors of Salt River have adopted a policy of providing compensation for actual expenses while in attendance at industry association meetings. In addition, Salt River provides a per diem allowance of $85 for each director attending these meetings. The Commission through its review of the case has noted that Salt River has paid one per diem allowance of $85 for directors' attendance at the board meetings of EKP during the test period which the Commission considers reasonable in this instance. However, considering the various other expenses for which the directors have been reimbursed and the current state of the economy, the Commission is of the opinion that the $85 per diem allowance for attendance at other industry association meetings in addition to actual expenses is excessive and unreasonable. Therefore, the Commission has reduced director's fees by $4,760 to exclude the actual cost of per diem allowances associated with other industry association meetings paid to the directors during the test year.

Christmas Party and Gifts

During the test period Salt River incurred total expenses of $4,975 related to a Christmas party and various gifts for its employees and directors. While the Commission feels that these items are a nice fringe benefit and good for employee-employer relations, no evidence has been presented that the salaries and benefits paid by Salt River are inadequate. In an era of high unemployment and belt tightening by consumers and businesses alike the Commission simply cannot justify allowing the customers of Salt River to bear these costs. Therefore, the Commission has excluded these expenses for rate-making purposes herein.

Capital Credits Assigned

Salt River proposed an adjustment to remove for rate-making purposes capital credits assigned it by Louisville Bank for Cooperatives and Central Area Data Processing Corporation during the test period. The credits assigned Salt River by these firms total $26,191. Salt River argues that it is doubtful that these credits will ever be paid and therefore are of no value.

The Commission is not convinced that these capital credits will never be paid or that they have no value. Salt River's primary lenders have always recognized these credits in determining compliance with mortgage requirements. The Commission has, in past cases, excluded generation and transmission capital credits from income in determining revenue requirements; however, it has consistently included as income other capital credits from associated organizations in the year in which they are assigned. Moreover, the Uniform System of Accounts for rural electric cooperatives as well as generally accepted accounting principles recognize these capital credit assignments as income for financial reporting purposes. Therefore, the ratepayers should realize the benefits of this source of non-operating income as well. In accordance with past practice the Commission has included as income all capital credits assigned during the test year exclusive of generation and transmission capital credits.

Depreciation Expense

Salt River proposed an adjustment to increase depreciation expense by $51,841 to reflect the annual depreciation expense based on the level of plant in service at the end of the test year. In determining the adjustment, Salt River included $43,179 of plant transferred from Construction Work in Progress ("CWIP") to plant in service after the end of the test period.

The Commission has a policy of disallowing adjustments made to reflect transfers of plant from CWIP to plant in service after the end of the test period. The objective of the Commission in using a historical test period is to establish a fair and reasonable level of revenues and expenses upon which to establish rates. Although it proposed an expense adjustment, Salt River did not propose to adjust operating revenues associated with the addition of the new facilities. Therefore, in accordance with past practice, the Commission has excluded depreciation of $1,339 associated with this plant in computing Salt River's depreciation expense resulting in an adjustment of $50,502.

Interest on Long-Term Debt

Salt River proposed an adjustment of $56,411 to annualize interest expense on long-term debt outstanding at the end of the test year and to reflect the interest on loan funds of $1,173,000 drawn down within 3 months of the close of the test period. Salt River proposed an additional adjustment of $115,690 to reflect the interest on additional long term debt in the amount of $1,006,000 drawn down prior to the hearing in this case.

In accordance with past policy the Commission will allow an adjustment of $170,324, which is based on annual interest on the balance of long term debt outstanding as of August 1, 1983, and the applicable interest rates at that date. However, the Commission at this time puts Salt River and all other electric cooperatives under its jurisdiction on notice that in future rate proceedings the policy of allowing interest expense on debt drawn down after the close of the test period will be reconsidered. The practice of updating interest expense based on the balance of long term debt beyond the test period without reflecting the additional revenues and expenses associated with facilities constructed with these funds violates the matching concept of historical test year rate base and operating statement. Therefore, in future proceedings the burden of proof that interest expense on debt drawn down after the close of the test period should be included for rate-making purposes will rest solely with the utility requesting such treatment.

The effect of the revised pro forma adjustments on net income is as follows:

	Actual Test Year	Pro Forma Adjustments	Adjusted Test Year
Operating Revenues	$18,223,573	$2,816,861	$21,040,434
Operating Expenses	17,411,726	2,970,238	20,381,964
Operating Income	$ 811,847	$ <153,377>	$ 658,470
Interest on Long-Term Debt	565,803	170,324	736,127
Other Income and (Deductions) - Net	421,382	<368,081>	53,301
Net Income	$ 667,426	$ <691,782>	$ <24,356>

REVENUE REQUIREMENTS

The actual rate of return on Salt River's net investment rate base established herein for the test year was 5.32 percent. After taking into consideration the pro forma adjustments Salt River would realize a rate of return of 4.31 percent. The Commission is of the opinion that the adjusted rate of return is inadequate and a more reasonable rate of return would be 9.29 percent. In order to achieve this rate of return Salt River should be allowed to increase its annual revenue by $759,717 which would result in a Times Interest Earned Ratio ("TIER") of 1.99. This additional revenue will produce net income of $735,446, which should be sufficient to meet the requirements in Salt River's mortgages securing its long-term debt.

The Commission has noted that Salt River's capital structure, as of test year end, consisted of 33 percent equity and 67 percent debt after the removal of accumulated generation and transmission capital credits. The equity level achieved by Salt River is viewed by the Commission as an indication of Salt River's strong financial condition. In the past several years the Commission has noted that many of the cooperatives it regulates have shown improved equity levels. The Commission is encouraged by this indication of the improving financial condition of the cooperatives yet it is concerned that the customers of these cooperatives receive the benefits associated with the improved financial condition.

A basic principle of a cooperative is that the customers of the cooperative who are actually the owners should be allowed to benefit from strong financial performance of the cooperative by receiving a refund of capital credits or by realizing a reduction in the cost of electric service. The cooperatives regulated by this Commission have long argued that improved equity levels are necessary in order to begin general rotations of patronage capital. With the improving equity levels of Salt River and other cooperatives the Commission expects these cooperatives to seriously consider as a part of its financial planning methods whereby the consumer-owners of the cooperative will receive the maximum benefits of the cooperative form of organization.

A second concern of the Commission related to the improved financial condition of Salt River is that the additional revenues granted herein will be used efficiently. Based on the approach used by the Commission to determine revenue requirements of rural electric cooperatives, as the annual interest costs increase the amount of margin must increase to maintain the required TIER. This results in increased cash flow to the cooperative and decisions must be made within the cooperative to use available internally generated funds for capital expenditures or to cover increased operating costs. The Commission's primary concern is that management exercise prudent judgment when considering any program which will increase annual operating costs to insure that the most efficient and economical use of the ratepayer's dollars will be achieved.

These matters will be considered to the fullest extent possible by the Commission in future rate proceedings as well as requests for approval of plant additions and financing. The Commission is not in any way stating that Salt River has used its funds inefficiently in the past, but is stating that it expects the management and employees of Salt River to do everything within their power to keep costs down and thereby keep the electric rates of the customers they serve down. Additional revenues granted through rate increases should be used so as to provide the greatest benefit to the customers and not on projects of questionable value implemented simply because funds were available. The Commission expects the management of Salt River to aggressively carry out its stewardship duty at all times. An aggressive program of cost controls is needed by all utilities in order to contain rising utility prices. The Commission expects Salt River to use the additional revenues granted herein wisely so as to provide the greatest benefit to its customers.

Rate Design and Revenue Allocation

In its original application Salt River proposed to change the rate design in various rates as well as to combine two rate classifications. On July 12, 1983, Salt River filed amended proposed rates that would leave all rate classifications, except Rate OL, Outdoor Lighting Service, structured as they presently are in anticipation of rate design changes to be made by its wholesale power supplier, EKP. The present rates have been increased or decreased by a multiplier factor to produce the proposed rates for each classification. The proposed change in the Outdoor Lighting Service rate was to eliminate the three mercury watt blocks and insert Mercury Vapor or HPS 7000-9000 lumens. The reasoning for this change was that Salt River only had customers in this one block. Also Salt River proposed to reduce the power factors listed on its tariffs to 80 percent to coincide with the power factor utilized by EKP. The Commission approves the methodology used herein and is of the opinion that the rate design proposed by Salt River should be accepted.

Salt River proposed to allocate the revenue increase in approximately equal percentages to all rate classes except Rate LPR-1, Large Power 3,000 KW and over. Within this rate class a reduction of $133,517 was proposed. The rationale for decreasing the amount charged to customers under the LPR-1 rate, presented by Mr. Kenneth Hazelwood, General Manager of Salt River, was that LPR-1 customers were served directly from distribution substations and the majority of the costs associated with serving these customers was purchased power costs. Mr. Hazelwood also stated that the LPR-1 rate had experienced disproportionately higher rate increases in the last three flow-through rate cases when compared to other rate classifications.[1]

In response to a Commission data request Mr. Craig Bradley, partner in Coopers and Lybrand accounting firm, stated that Rate LPR-1 was paying rates which provided a greater percentage of return than all the other rate classes. Also Salt River believes that the rates proposed were

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1 Response to Commission's July 13, 1983, Information Request, Item 23, pp. 1 and 2.

analogous to contract billing rates of certain large industrial users served by Big Rivers Rural Electric Cooperative, Inc., ("Big Rivers") and are more "in line with the contribution to net margins in the approximate same ratio as other rate classes."[2]

O-I, one of the two customers served under Rate LPR-1, proposed in a brief submitted September 8, 1983, that the Commission adopt the rate reduction proposed by Salt River for the LPR-1 class. In this brief O-I supported and concurred with all arguments presented by Salt River for this reduction. O-I also proposed that the fuel adjustment clause be amended immediately to eliminate any reimbursement for line loss from LPR-1 customers.

The Commission approves the methodology utilized by Salt River in allocating the revenue increase in approximately equal percentages to all rate classes except Rate LPR-1. The Commission however does not favor the amount of reduction proposed by Salt River for this class. The Commission was not convinced by evidence submitted that contributions to net margins should be the same ratio for all classes due to the risk involved in serving the LPR-1 customers. Reference was made by Salt River to the rates charged to large industrial users served by Big Rivers.

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2 Response to Commission's July 29, 1983, Information Request, Items 7 and 8, p. 3.

Within this group of industrial users the ones most comparable to O-I in Kwh usage are Breckinridge and Green River Coal. These two industrial users have approximate adders to Big River's wholesale cost of power of 3.39 and 3.25 mills, respectively. These industrial users are also contracted to "take or pay" minimum amounts while no such contracts exist between Salt River and its large customers. The Commission is of the opinion that the return provided by the LPR-1 customers should include an amount for the additional risk that Salt River is incurring to serve this rate class; therefore the rate charged to the LPR-1 class should not be less than 3 mills above EKP's wholesale cost of power.

O-I proposes a mechanistic application of the concept that the costs to provide service to a particular customer class should be borne by that customer. This has been previously rejected in the Commission's Order of June 1, 1982, in Case No. 8252, Green River Electric Corporation: (1) Notice That on June 28, 1981, It Will Change Its Tariff Rates for Electric Service (2) Application for an Order Changing Its Rates for Electric Service to National Southwire Aluminum Company. The Commission will again reiterate that rates do not have to be based strictly on cost of service and that O-I's rate should include some contribution to Salt River's overhead.

The Commission refers to the Order dated April 1, 1983, in Case No. 8700, Application of Salt River Rural

Electric Cooperative Corporation for an Order Authorizing a Pass-Through of East Kentucky Power Wholesale Power Rate Increase in Case No. 8648, to address the alleged past inequities imposed on LPR-1 customers. In this Order the Commission reduced the amount of increase to LPR-1 customers for the amount incorrectly included in Case No. 8415.

The record in this case reflects that the flow-through in Case No. 8008 resulted in increased revenues from rate class LPR-1 greater than the related increased cost. However, standard Commission policy was correctly applied at that time.

The Commission finds Salt River's proposal to reduce the revenue produced by Rate LPR-1 by $133,517 to be unreasonable for all of the above-stated reasons. In reviewing Case No. 8008 the Commission determined that margins of approximately $140,000 for the LPR-1 class existed in March, 1981, before the rates in Case No. 8008 were implemented. The Commission deems that an overall contribution of approximately $160,000 to all expenses by the LPR-1 class is just and reasonable based on changes in prices since March, 1981. This would result in a contribution of approximately $.00297 per KWH for the LPR-1 class. Therefore, the Commission has adjusted the amount of revenue to be produced by Rate LPR-1 customers to produce a contribution of approximately $160,000.

EKP's wholesale demand charge is greater than the demand charge proposed by Salt River for this rate class.

The Commission therefore denies the demand charge proposed in Rate LPR-1 and will implement EKP's charge with consideration for the 5 percent discount.

O-I proposed that the fuel adjustment clause should be amended to eliminate any reimbursement for line loss from LPR-1 customers. This issue should be addressed in fuel adjustment clause proceedings not herein.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

(1) The rates in Appendix A are the fair, just and reasonable rates for Salt River and will provide net income sufficient to meet the requirements in Salt River's mortgages securing its long-term debt.

(2) The rates and charges proposed by Salt River differ from those found reasonable herein and should be denied upon application of KRS 278.030.

IT IS THEREFORE ORDERED that the rates in Appendix A be and they hereby are approved for service rendered on and after October 5, 1983.

IT IS FURTHER ORDERED that the rates proposed by Salt River be and they hereby are denied.

IT IS FURTHER ORDERED that Salt River shall file with this Commission within 30 days from the date of this Order its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 24th day of October, 1983.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8778 DATED October 24, 1983.

The following rates and charges are prescribed for the customers in the area served by Salt River Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

SCHEDULE A-5
FARM AND HOME SERVICE*

Availability

Available to members of the Cooperative for all Farm and Home uses subject to the established rules and regulations of the Seller. The capacity of individual motors served upon this schedule shall not exceed 10 h.p.

Type of Service

Single phase, 60 Hertz, at available secondary voltage.

Rates:

First	40 KWH Per Month (minimum bill)	$ 6.49	Per Month
Next	60 KWH Per Month	.07816	Per KWH
Next	100 KWH Per Month	.06479	Per KWH
Next	800 KWH Per Month	.06186	Per KWH
Next	1,000 KWH Per Month	.05873	Per KWH
Over	2,000 KWH Per Month	.05455	Per KWH

Minimum Charge:

The minimum monthly charge under the above rate shall be $6.49 where 25 KVA or less transformer capacity is required. For members requiring more than 25 KVA transformer capacity, the minimum monthly charge shall be increased at the rate of .75 of each additional KVA or fraction thereof required. Payment of the minimum charge shall entitle the member in all cases to the use of the number of kilowatt hours, corresponding to the minimum charge in accordance with the foregoing rate.

SCHEDULE B-2
COMMERCIAL AND SMALL POWER SERVICE*

Rates:

First	40 KWH Per Month (minimum bill)	$6.81	Per Month
Next	60 KWH Per Month	.11686	Per KWH
Next	200 KWH Per Month	.09252	Per KWH
Next	700 KWH Per Month	.07456	Per KWH
Over	1,000 KWH Per Month	.06620	Per KWH

Minimum Charge:

The minimum monthly charge under the above rate shall be $6.81 where 37.5 KVA or less of transformer capacity is required.

Temporary Service

Temporary service shall be supplied in accordance with the foregoing rate except that there shall be additional charge of $5.87 for each kilowatt or fraction thereof of installed capacity for each month or fraction thereof that service is connected. Bills will not be pro-rated for a fractional part of a month.

Conditions of Service

(d)(1) An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.

SCHEDULE LLP-1
LARGE POWER SERVICE (Over 37.5 - Under 500 KW)*

Rates:

$ 5.83 per month per KW of Billing Demand plus Energy Charges of:

$ .05842 per KWH for the first 50 KWH used per month per KW of billing demand.

$ .05006 per KWH for the next 50 KWH used per month per KW of billing demand.

$ .04778 per KWH for all remaining KWH used per month.

Power Factor

The consumer agrees to maintain unity power factor as nearly as practicable. The Cooperative reserves the right to measure such power factor at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than 80 percent the demand for billing purpose shall be the demand as indicated or recorded by the demand meter multiplied by 80 percent and divided by the percent power factor.

Conditions of Service

4(a) An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.

SCHEDULE LLP-2
LARGE POWER 500 KW UNDER 3,000 KW*
(Secondary Voltage)

Rates:

Demand Charge

$ 5.83 Per Month per KW of Billing Demand

Energy Charge

First 20,000 KWH Per Month	$.05922 Per KWH
Next 20,000 KWH Per Month	.04585 Per KWH
Over 40,000 KWH Per Month	.04136 Per KWH

Power Factor

The consumer agrees to maintain unity power factor as nearly as practicable. The Cooperative reserves the right to measure such power factor at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than 80 percent the demand for billing purpose shall be the demand as indicated or recorded by the demand meter multiplied by 80 percent and divided by the percent power factor.

Conditions of Service

4.(a) An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.

4.(b) The consumer shall guarantee a minimum annual revenue of not less than 18 percent of the estimated additional investment required to extend service which shall include the additional cost of meters, transformers and any additions to or alterations of lines, and equipment necessary to make service available. Minimum charges for service shall be based on the KVA of installed transformer capacity. In all other cases, the minimum charge shall be based on KVA of transformer capacity as hereinafter provided.

SCHEDULE OL
OUTDOOR LIGHTING SERVICE*

Rate Per Fixture:

Type of Fixture	Lumen Output	Rate
Mercury Vapor or HPS	7000-9000	$6.21 per month

SCHEDULE OL-1
STREET LIGHTING SERVICE*

Rates:

First	40 KWH Per Month (minimum bill)	$7.29	Per Month
Next	60 KWH Per Month	.09980	Per KWH
Next	100 KWH Per Month	.07745	Per KWH
Next	300 KWH Per Month	.06251	Per KWH
Over	500 KWH Per Month	.05040	Per KWH

SCHEDULE LLP-3
LARGE POWER 500 KW - 3,000 KW*
(Primary Voltage)

Rates:

Demand Charge

$5.82 Per Month per KW of Billing Demand

Energy Charge

First	20,000 KWH Per Month	$.06580 Per KWH
Next	20,000 KWH Per Month	.05149 Per KWH
Over	40,000 KWH Per Month	.04700 Per KWH

Power Factor

The consumer agrees to maintain unity power factor as nearly as practicable. The Cooperative reserves the right to measure such power factor at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than 80 percent, the demand for billing purpose shall be the demand as indicated or recorded by the demand meter multiplied by 80 percent and divided by the percent power factor.

Conditions of Service

5(a) An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.

SCHEDULE LPR-1
LARGE POWER 3,000 KW AND OVER*

Rates:

Demand Charge

$8.23 Per Month per KW of Billing Demand

Energy Charge

First	100,000 KWH Per Month	$.05005 Per KWH
Next	900,000 KWH Per Month	.03551 Per KWH
Over	1,000,000 KWH Per Month	.03086 Per KWH

Availability

Available to all commercial and industrial consumers whose kilowatt demand shall exceed 3,000 KW for lighting and/or heating and/or power, and who are served directly from a distribution substation with no other consumer served from that station.

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than 80 percent, the demand for billing purpose shall be the demand indicated or recorded by the demand meter multiplied by 80 percent and divided by the percent power factor.

*Fuel Clause Adjustment

The above rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses.